



SECRET

Disc. Ministry Japan

*of Mr. Hoshino
Mr. Iyama*

*A further report on
to Nissan - proposed.
Sri Keita will now
prepare a report for
Ministers so that
he can
let Nissan
know our
decision
on whether
to welcome
them.*

PRIME MINISTER

NISSAN

1 In my minute of 28 October I reported on Richard Bullock's visit to Tokyo to discuss Nissan's proposal to invest in the UK. Tom Trenchard and officials had further meetings with Nissan on 18 November and this minute reports the progress which has been made.

2 Nissan have confirmed the interest, which they expressed to Richard Bullock in Tokyo. They have indicated that, provided we approve their ideas in principle, they intend to undertake a detailed feasibility study, with a view to taking a final decision by the middle of next year. The feasibility study would include detailed discussions with UK component manufacturers. At this stage, however, Nissan are prepared only to undertake that local content of the vehicles made here would be 60% initially, rising to 80% "when practicable". This is less satisfactory than a firm commitment to 80% local content but Nissan's reservations are understandable from a commercial point of view. Nissan would not be pushed into a stronger commitment at this stage, but we shall need to consider carefully whether they can be pressed further.

*12
..
2/1*

3 Nissan are prepared to set themselves export targets and to tell us what these are (one quarter of their capacity might be for export) but they are adamant that precise figures should not be included in any public announcement of their plans.

/They ...

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They are in fact taking a somewhat conservative view of likely exports, partly perhaps because of the inadequacies of their distribution network in the rest of the EEC. Export targets will need to be discussed in more detail if we decide to support Nissan's ideas in principle.

4 Tom Trenchard explored further whether Nissan would be prepared to consider a joint venture with BL. They indicated that they had examined this possibility but were totally - and apparently irrevocably - committed to a greenfield operation and to maintaining complete control of their venture. They are, however, willing to look to BL as a potential supplier of components subject to price, quality and delivery.

5 Nissan have been told that we will try to let them know the Government's decision early in January. Although there are several issues which need to be considered in more detail, Tom Trenchard believes and I agree that the strong balance of advantage is likely to lie in supporting this project. I propose, however, that Department of Industry officials should now consult officials in other Departments, so that I can make a full report with recommendations to colleagues by about the middle of December.

6 Because an increasing number of people are coming to know of the discussions with Nissan, there is a real risk that

/knowledge ...



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... knowledge of them will leak. Officials have therefore agreed
... with Nissan the enclosed defensive press briefing. I also
... enclose a copy of a preliminary draft of the statement which
the Department of Industry and the company would propose to make
if in due course we decide to accept Nissan's ideas in
principle.

7 I am sending copies of this minute only to Peter Carrington,
Geoffrey Howe, John Nott and Robin Ibbs.

KJ

K J

20 November 1980

Department of Industry
Ashdown House
123 Victoria Street

SECRET



Preliminary draft of defensive statement if needed

The Government confirms that the Nissan Motor Company (the manufacturer of Datsun cars) has approached it about the possibility of investment in a substantial car manufacturing operation on a greenfield site in a development area or special development area in the UK. The proposal being considered by the company could involve up to 200,000 cars a year, with a very high local content; a significant part of the output would be exported. On both sides, the discussions are still entirely exploratory and there are no commitments.



Preliminary draft of a possible announcement of agreement in principle

(the manufacturer of Datsun cars)

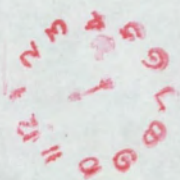
HMG and the Nissan Motor Company have reached agreement in principle on the establishment by Nissan of a facility to be located in a development area or special development area to manufacture up to 200,000 cars a year, including an engine manufacturing plant. Nissan is currently carrying out a detailed feasibility study of the project.

Assuming a satisfactory outcome to the feasibility study, the intention would be to commence building a plant in 1982 and to commence production at the end of 1984 at a volume of 80,000 cars a year building up to the full figure of 200,000 by 1986.

It is Nissan's intention to achieve a very high local content involving UK and other EEC suppliers with whom they will be entering into discussions during their feasibility study; the local content at the start of production would be 60 per cent, and the company's objective would be to increase this to 80 per cent when practicable.

The company is confident of achieving a high level of exports from the UK.

20 NOV 1980



CAROLINE

Please arrange a meeting for Ministers and officials mentioned in this letter.

CONFIDENTIAL



10 DOWNING STREET

From the Private Secretary

25 November 1980

BF 18.12.80

NISSAN

The Prime Minister has read Sir Keith's minute of 20 November, and would be glad if your officials would now consult with officials in other Departments with a view to making a full report by about the middle of December. She does not wish this report to be circulated beyond the Departments to whom Sir Keith's minute was copied. We will be in touch with you to arrange a meeting to discuss it.

I am sending copies of this letter to George Walden (Foreign and Commonwealth Office), John Wiggins (H.M. Treasury), Stuart Hampson (Department of Trade), David Wright (Cabinet Office) and Robin Ibbs (CPRS).

I. K. C. Ellison, Esq.,
Department of Industry.

T. P. LANKESTER

arranged for
Thursday 19 Dec
at 0930.

ES. 28/11